



DISINVESTMENT AND INDIA EFFECTS OF PRIVATIZATION ON ECONOMY AND SOCIETY

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ABSTRACT

This paper is in context to the reason or conditions in which Government initiate as entrepreneur and the conditions those are liable for need of disinvestment of public industries. Also discuss the effect of Privatization on Economy and Society of India. For that i choose a production unit as well as service providing unit working under government.

Paper also show the various methods of Privatization and analysis what would be the better combination of methods, where privatization is needed

INTRODUCTION

This paper gives a brief summary of Privatization of Public unites. Paper focus on what were the conditions in which government has acted as a entrepreneur and in result series of public unites came up. What the role these unites play in development of India in early days of Independence and how these are working in present scenario. It explain need of privatization and possible ways or methods of privatization

Problems facing by India just after Independence

India was facing a widespread illiteracy and shocking poverty Just after independence. British were destroying Indian Agriculture, Industry and Other sectors very badly. Unemployment is another Problem facing by India. The primary condition of economic development needed rapid development of infrastructure, transportation, communication, fuel and power. Whereas Agriculture sector facing secrecy of a sufficient expansion of irrigation facilities, good seeds , Fertilizers, and power...

Reasons push Indian Government to act as entrepreneur

Private sector were not willingly ready to bear such responsibilities and take the risk and block its capital for such a long period, Indeed they have to encounter serious difficulties in arranging finance for such a huge project. On the other hand it is well known that the private sector enterprises are operate with aim of maximum profit whereas improvement in life standard of Indian society also needed., hence the Indian govt. took initiate and a series of industries in public sector came up. The aim was quick development of key sector like steel, Fertilizers, base medicine, transportation extra. On the other public sector industries acted as model for employer by providing the workers with better wages and other facilities and fight with the problem of unemployment

The “Golden foundation stone” of the development”.

It seems right that most of the Government industries are running with loss but efficiency of public sector enterprises

cannot be judged on the basis of the profitability alone, because price policy of these are based on the objectives which they are expected to serve not for profit maximization., even under the condition of monopoly, Indian railways and electricity board can earn huge profit very easy by increasing their prices but to full fill some social responsibilities, they opted for losses. Indian railways provide 50 to 100% concession in various categories which are essential for Indian society specially in earlier independence age and so on.

Another reason of public sector is take over the ‘Sick’ industries those were running in private sector and save future of the employees of that industries.

Declining the role of public sector in development of India is unfair .We may not forget the crucial role it has played at the primary stage of development, indeed these was the “Golden foundation stone” of the development”.

Need of Privatization

But, it is also right that, in Present scenario many of them are become hurdle in the development. They are suffering from underutilization of installed capacity, inefficient operation, poor management, political interference in day to day working, labour disputes, over staffing, higher operational cost etc., in short now most of them are ‘Sick units’ and Privatization can be a medicine for them.

Impact of Privatization of public unites:

HZL a production unit:

Privatization is not new for India, in year 1991 – 92 disinvestment commission set up under Shri G V Ramakrishna. In the process of disinvestment public assets sold by President of India on behalf of Govt. of India directly by offer for sale to public, at first in August 1996, 31 selected public sector units disinvested for Rs. 303 crore.

Since financial year 1991-92 to 2017-18 government sold central public sector of Rs. 3,474.39 crores in which some were Maruti udyog, Hindustan zinc Ltd., GAIL, ONGC , HZL

One of them was H Z L (Hindustan Zinc Ltd.) Hindustan Zinc is the second largest zinc-lead miner in the world and the fourth largest zinc-lead smelter globally. It has now also broken into the top 10 list of silver producers in the world. In year 2003 it was sold to Vedanta group.

Earning of HZL before and after privatization.

Hindustan Zinc Ltd.	
Year	Profit
1998-99	151.15 (Before tax)
1999-2000	182.17 crore (Before tax)
2001-2002	68 crore (After tax)
2014-15	8,178.00 crore (After tax)
2015-16	8166.58 crore (After tax)
2016-17	8316 crore (After tax)
2017-18	9036 crore (After tax)
2018-19	7956 crore (After tax)
2019-20	6805 crore (After tax)
2020-21	7980 crore (After tax)
2023-24	10376 crore (After tax)

Result

Effect on Profit Earning: The company was earning in increasing trend consistently. Headquartered in Rajasthan, saw its profits rise manifold in the 20 years after privatization. The full-year profits as on 31 March 2023-24 stood at Rs 10376 crore, as against Rs 68 crore in the full year ending March 2002[Just before privatization]. It would be possible due to cut down purchasing cost and better control over expenses.

Effect on Shareholder: Rate of shares was increased, Shareholders could never have expected beyond Rs 7 – 8 per share they got about three or four times of this amount through the open offer .

Effect on Employees: At the time of privatization all the employees were retained there but later many of them leave the company due to shuffling and changes in Pay scales. In the beginning days of the privatization the job losses were only 2 % which goes up 20% after some years, this situation increases unemployment.

The other privatized units were also getting good results

Particular	1997-98	1998-99	1999-2000	2000-2001
Turnover	295.90	346.20	468.70	553.30
Profit after tax	6.90	7.30	12.70	25.09
Net Worth	40.30	45.70	54.80	74.70
Debt	42.70	34.20	40.60	34.14

Gross Fixed Assets	97.00	98.90	109.30	122.00
Divedend Paid	.77	.77	1.52	2.55

Service Sector unit:

In service providing unites, Railway is become a lifeline of India. I made a primary survey to know what would be the effect on Economy and Society if it move for privatization?

	Agreed	Disagreed
Do you agree that privatization of Railway is good for development of Indian economy	60%	40%
Do you agree services provided by railway would be better in private ownership	80%	20%
Do the earning of railway will raise after the privatization	56% [28% of them strongly]	44%
Does Indian railway in private hand use method of cost cutting to increase earning	98%	2%
Appoint unskilled employees with less salary may be a method of cost cutting	75%	25%
Do you agree Railway Increase in fair to increase earning in private ownership	99%	1%
Do you agree concession in fair is necessary for Indian society	89%	11%

Result:

Impact on Economy:

Most of the population agree that privatization of Railway is good for development of India. Earning of railway will go up, which will help the economy of the country. After the privatization services provided by railway would be better. Altogether can take as good sign.

Impact on Society:

Indian Railways has effect the society by the employment and easy transportation. I and most people strongly favour that only skilled employees can be operate the Railway which indicate that private ownership should not be appoint unskilled employees for cost cutting.

In India so many Poor people, Students along with others are depends on Railway for transportation. they need concession but a hope is there that after privatization fair will be increase and concessions will be cancelled because earning profit is the motive of private ownership.

As a whole ‘Privatization’ may good for development of economy but no one can ignore social liabilities of government.

Methods of Privatization:

Privatization doesn't mean sell out the public units only, rather it includes following ways .

Management employee buyout: In this management and employees themselves buy major stakes in their firm. The advantage is insiders might better for corporate governance than outsiders.

Sale to outsiders: Unit sold to Outsiders.

Public private project or PPP: PPP is a cooperative arrangement between two or more public and private sector for a long term nature..

Jhon major in UK introduce, the first systematic program aimed at encourage public private partnership

PPP includes two form of partnership:

1. **Mixed public enterprises:** In this type of PPP the effective control vests in hand of government.
2. **Mixed private enterprises:** In this type of PPP the effective control vests in hand of private.

CONCLUSION

The result shows that the privatization can be act as an innovator but, It is not an EASY TASK. Government should maintain complete good environment. Only Maximum revenue doesn't a sign of development, Public monopolies cannot replace by private monopolies, Sale proceeds cannot be use for national debt like budget deficits, Non transparent procedures of selling invites allegation of corruption , Control on activities of private sector is also compulsory.

Any one method of disinvestment is not good for each sector and industry. Government should chose a particular form of PPP for privatization of a particular type of industry. Mixed public enterprises can better in utility sector like water, electricity, transport, hospital, communication etc. because private sector work there with aim of maximum profit but control of government is necessary there in beneficial of Society.

Whereas mixed private enterprises is good for pure production industries.

In this type of environment at the one side private ownership works freely, earn more and contribute to Economy, on the other government has control on need full utility which in favour of Society.

I thought joining hand together by Government and private ownership in setting up joint enterprises, could combine their strong points. This would lead to better growth of country.

I conclude with this statement that "It is false that private often fail but Govt. often do not success." Find out the ways for government and private to work together. Government interference in those areas is compulsory where there is evidence that Govt. control can make a significant difference.

METHODOLOGY

Primary data collection: survey and google form

Secondary Data collection: Economic Time Market, Annual report 1999-2000,

REFERENCES

List all the material used from various sources for making this project proposal

As per The Economics Time Market Profit & Loss - Hindustan Zinc Ltd.Rs (in Crores)

	Mar'21	Mar'20	Mar'19	Mar'18	Mar'17
	12Months	12Months	12Months	12Months	12Months
INCOME:					
Sales Turnover	22629.00	18561.00	21118.00	22521.00	18798.00
Excise Duty	.00	.00	.00	437.00	1525.00
NET SALES	22629.00	18561.00	21118.00	22084.00	17273.00
Other Income	1819.0000	1934.0000	1782.0000	1751.0000	2474.0000
TOTAL INCOME	24448.00	20495.00	22900.00	23835.00	19747.00
EXPENDITURE:					
Manufacturing Expenses	2119.00	2045.00	2027.00	2070.00	1339.00
Material Consumed	1379.00	879.00	1210.00	1808.00	820.00
Personal Expenses	760.00	689.00	905.00	776.00	722.00
Selling Expenses	.00	.00	.00	.00	.00
Administrative Expenses	6699.00	6101.00	6306.00	5158.00	4653.00
Expenses Capitalised	.00	.00	.00	.00	.00
Provisions Made	.00	.00	.00	.00	.00
TOTAL EXPENDITURE	10957.00	9714.00	10448.00	9812.00	7534.00
Operating Profit	11672.00	8847.00	10670.00	12272.00	9739.00
EBITDA	13491.00	10781.00	12452.00	14023.00	12213.00
Depreciation	2531.00	2279.00	1883.00	1483.00	1811.00
Other Write-offs	.00	.00	.00	.00	.00
EBIT	10960.00	8502.00	10569.00	12540.00	10402.00
Interest	386.00	112.00	113.00	283.00	202.00
EBT	10574.00	8390.00	10456.00	12257.00	10200.00
Taxes	2594.00	1585.00	2500.00	3221.00	1884.00
Profit and Loss for the Year	7980.00	6805.00	7956.00	9036.00	8316.00
Non Recurring Items	-5.00	-100.00	-23.00	242.00	-3.00
Other Non Cash Adjustments	.00	.00	.00	.00	.00
Other Adjustments	5.00	100.00	23.00	-2.00	3.00
REPORTED PAT	7980.00	6805.00	7956.00	9276.00	8316.00
KEY ITEMS					
Preference Dividend	.00	.00	.00	.00	.00
Equity Dividend	15972.00	.00	6713.00	2693.00	9893.00
Equity Dividend (%)	1890.18	.00	794.44	318.70	1170.77
Shares in Issue (Lakhs)	42253.19	42253.19	42253.19	42253.19	42253.19

EPS - Annualised (Rs)	18.89	16.11	18.83	21.95	19.68
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Rs (in Crores)

Public Survey